Top Glove (TOPG MK)

4QFY25: Improving Earnings Momentum, But Challenges Persist

HOLD (Maintained)

Share Price	RM0.67
Target Price	RM0.70
Upside	4.48%

Analyst(s)
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Highlights

- TOPG made a turnaround into core net profit in 4QFY25 due to strong volume sales and lower raw material costs.
- Despite better US demand and margin uptick anticipated in FY26, intensifying competition in Europe remains a threat to mid- to long-term earnings.
- Risk-reward appears neutral following yesterday's share price action (+15%). Maintain HOLD with a lower target price of RM0.70 (from RM0.71).

4QFY25 Results

Year to 31 Aug (RMm)	4QFY25 (RMm)	qoq % chg	yoy % chg	FY25 (RMm)	yoy % chg	Comment
Revenue	**889.6**	**7.2**	**6.5**	**3,489.4**	**38.7**	Volume (+18% qoq), ASP (-5% qoq)
Operating exp.	(757.5)	1.8	(4.4)	(3,073.9)	27.6	
EBITDA	**132.1**	**53.0**	**207.2**	**415.6**	**287.5**	
EBIT	**54.9**	**559.8**	**(298.0)**	**109.7**	**(160.8)**	Improved on better margins
Pre-tax profit	**47.8**	**53.3**	**1,058.1**	**154.4**	**(564.6)**	
Tax	(12.2)	(479.2)	(461.5)	(26.5)	(274.9)	
Net PATAMI	**38.6**	**11.0**	**n.a.**	**109.1**	**(276.5)**	Exceptional item of RM13.5m in 4QFY25
Core PATAMI	**25.0**	**n.a.**	**n.a.)**	**24.2**	**(110.4)**	Aboveexpectations.
	%	+/- ppt	+/- ppt	%	+/- ppt	
EBITDA margin	14.9	4.5	9.7	11.9	7.6	Lower input cost lifted margins
EBIT margin	6.2	5.2	9.5	3.1	10.3	
PBT margin	5.4	1.6	4.9	4.4	5.7	
Eff. tax rate	(25.6)	(35.9)	(107.5)	(17.2)	28.5	
Core margin	2.8	3.1	7.9	0.7	9.9	

Source: Top Glove, UOB Kay Hian

Analysis

- **Above expectations.** Top Glove (TOPG) reported 4QFY25 core net profit of RM25m (3QFY25: RM2.3m core losses) and higher revenue of RM889.6m (+7% qoq). For FY25, the core net profit of RM24m was above our expectations (RM7m) but below the consensus (RM59m). TOPG declared a 0.48sen dividend for FY25 (FY24: none), which implies a modest 0.7% yield.

Key Financials

Year to 31 Aug (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	2,516.0	3,489.4	4,003.0	4,500.4	4,881.1
EBITDA	107.2	394.9	617.2	804.9	869.8
Operating profit	(180.3)	89.0	302.3	480.4	540.2
Net profit (rep./act.)	(61.8)	109.1	197.4	324.3	364.7
Net profit (adj.)	(61.8)	24.2	197.4	324.3	364.7
EPS	(0.8)	1.4	2.4	4.0	4.5
PE	(87.6)	49.6	27.4	16.7	14.8
P/B	1.2	1.1	1.1	1.1	1.0
EV/EBITDA	15.6	2.5	1.4	1.1	0.4
Dividend yield	0.0	0.7	1.8	2.9	3.3
Net margin	(2.5)	3.1	4.9	7.2	7.5
Net debt/(cash) to equity	1.0	11.1	8.8	8.1	(1.5)
Interest cover	n.a	n.a	21.7	28.3	30.6
ROE	(1.2)	2.1	3.8	6.1	6.8
Consensus net profit	n.a	n.a	131.5	196.7	244.0
UOBKH/Consensus (x)	n.a	n.a	1.5	1.6	1.5

Source: TOPG, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Health Care
Bloomberg ticker	n.a
Shares issued (m)	8,220.0
Market cap (RMm)	4,650.4
Market cap (US$m)	1,102.8
3-mth avg daily t'over (US$m)	3.2

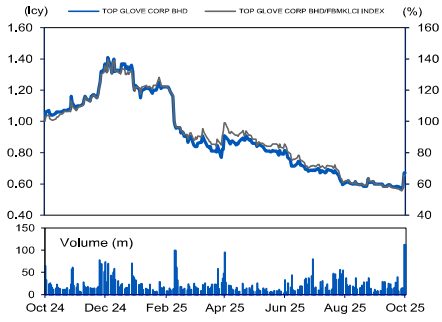
Price Performance (%)

52-week high/low				RM0.57/RM1.44
1mth	3mth	6mth	1yr	YTD
(5.7)	(15.3)	(29.3)	(44.8)	(56.7)

Major Shareholders

	%
Tan Sri Lim Wee Chai	28.25
Central Depository Pte Ltd	11.31
Firstway United Corp	6.92
KWAP	6.61

Price Chart



Source: Bloomberg

Company Description

Malaysia's largest rubber gloves manufacturer

- **Operating parameters are mixed in 4QFY25.** 4QFY25 volume sales strengthened 18% qoq, reflecting strong recovery of demand from US customers as earlier overstocked inventories depleted. Input costs were also much lower as key raw material costs declined meaningfully (nitrile butadiene -10% qoq; latex concentrate cost -14% qoq). These offset ASP contraction (-5% qoq) to around US$18/'000 pcs due to intensifying competition from China competitors, besides softening MYR/USD rates (-3.5% qoq). Utilisation rate for the quarter is around 71% based on current effective capacity of approximately 64b pieces annually (3QFY25: 61%).
- **Management guides a potential 20-30% volume sales improvement in FY26, back to pre-COVID-19 levels…** Management estimates that FY26 demand will see strong improvement as US distributors' overstocked inventories are depleted. This may bring TOPG's FY26 volume sales to 48-52b pieces (FY25: 40b pieces), and utilisation rate to 73-79% (FY25: 63%). FY26's earnings growth will be supported by: a) higher US sales mix (4QFY25: 42%) with stabilising ASP, b) falling raw material costs and natural gas tariffs, and c) margin expansion on better efficiency and utilisation rate.
- **…but profitability margin takes time to recover.** Despite strengthening volume sales and lower input costs, management guided that profitability margin may only recover back to FY19's level by 2027. This is mainly due to lower ASP arising from aggressive competition in non-US markets. 4QFY25's EBIT and net margin are 6.2ppt and 2.7ppt respectively, falling short against FY19's EBIT and net margin of 9.6ppt and 7.6ppt respectively.
- **Intensifying competition in Europe.** Outside of the US, we expect more aggressive ASP competition from China manufacturers in other regions. With the loss of US sales, we reckon intense competition from China manufacturers will cap ASP upside in non-US markets for Malaysian producers. That said, we estimate China glove manufacturers' breakeven ASP at US$15/'000 pieces, and they are unlikely to excessively dump their inventories at lower ASPs. The potential decline in Europe sales will likely be mitigated by increasing US orders.
- **Positive trend from cash flow and balance sheet items.** We understand that TOPG's current breakeven cost for generic nitrile gloves is US$14-15/'000 pieces, comparable to the China competitors. Despite earnings facing an upward slope to recover close to pre-pandemic levels, we opine that TOPG's improving efficiency and cost base promises gradual recovery of operating matrixes. With the recent redemption of perpetual sukuk and borrowings reduction, TOPG's gearing ratio is also reduced to 0.06x (FY19: 0.85x). We expect stronger operating cash flow and balance sheet in the coming quarters.

Valuation/Recommendation

- **Maintain HOLD with a lower target price of RM0.70** (from RM0.71), which implies 24x 2026F PE (normalised five-year mean).
- **Despite improving outlook and bullish guidance from management in post-results briefing, we remain cautious on fluid industry dynamics** as intensifying competition from China glove manufacturers poses mid- to long-term challenges in terms of ASP and margin.
- Risk-reward appears neutral following yesterday's strong share price rebound (+15%).

Earnings Revision/Risk

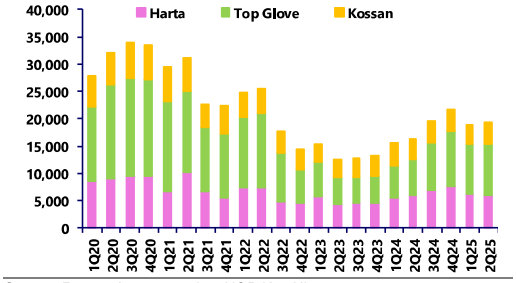
- **We recalibrated our FY26-27 earnings downward by 1-2% respectively** following adjustments of our FY25 full-year numbers.

Assumptions

	FY26F	FY27F	FY28F
Revenue (RMm)	**4003**	**4500**	**4881**
ASP Growth yoy (%)	15%	12%	8%
EBITDA Margin (%)	15.4%	17.9%	17.8%
PAT (RMm)	**197**	**324**	**365**
Growth yoy (%)	359%	64%	12%
Margin (%)	4.9%	7.2%	7.5%

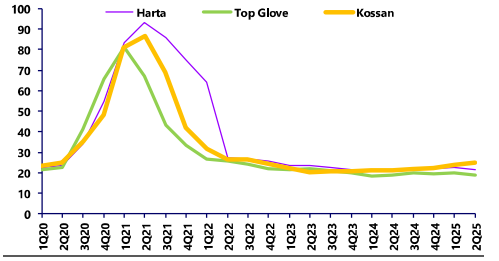
Source: UOB Kay Hian

Malaysian Glove Players' Quarterly Sales Volume (M' Pcs)



Source: Respective companies, UOB Kay Hian

Malaysian Glove Players' Quarterly ASP Chart (USD' 1,000 pieces)



Source: Respective companies, UOB Kay Hian

Environmental, Social, Governance (ESG)

Environmental
- Water management. To reduce municipal water consumption intensity by 34% to 0.151m3/1,000 pcs gloves by FY25 with the use of in-house water cycling facilities.
- Energy management. To reduce electricity and natural gas consumption intensity by 26% and 25% respectively by 2025.
Social
- Human rights and labour management. Verified by independent third-party consultant that the company is free of all 11 International Labour Organisation (ILO) forced labour indicators.
Governance
- Gender diversity. 42% of its board of directors are female.

Source: Top Glove, UOB Kay Hian

Profit & Loss

Year to 31 Aug (RMm)	2025	2026F	2027F	2028F
Net turnover	**3,489**	**4,003**	**4,500**	**4,881**
EBITDA	395	617	805	870
Deprec. & amort.	306	315	324	330
EBIT	89	302	480	540
Total other non-operating income	61	0	0	0
Associate contributions	(2)	(2)	(2)	(2)
Net interest income/(expense)	6	(28)	(28)	(28)
Pre-tax profit	**154**	**272**	**450**	**510**
Tax	(27)	(75)	(126)	(145)
Minorities	(19)	0	0	0
Net profit	**109**	**197**	**324**	**365**
Net profit (adj.)	24	197	324	365

Balance Sheet

Year to 31 Aug (RMm)	2025	2026F	2027F	2028F
Fixed assets	3,296	3,850	3,756	3,427
Other LT assets	1,523	1,523	1,523	1,523
Cash/ST investment	298	401	421	404
Other current assets	1,156	1,061	1,132	1,197
Total assets	**6,274**	**6,835**	**6,832**	**6,550**
ST debt	29	29	29	29
Other current liabilities	499	961	794	828
LT debt	798	798	798	298
Other LT liabilities	164	164	164	164
Shareholders' equity	4,756	4,854	5,016	5,199
Minority interest	27	28	30	32
Total liabilities & equity	**6,274**	**6,835**	**6,832**	**6,550**

Cash Flow

Year to 31 Aug (RMm)	2025	2026F	2027F	2028F
Operating	**328**	**630**	**641**	**694**
Pre-tax profit	154	272	450	510
Tax	(49)	(75)	(126)	(145)
Deprec. & amort.	306	315	324	330
Associates	2	2	2	2
Working capital changes	(79)	88	(38)	(31)
Non-cash items	0	0	0	0
Other operating cashflows	(6)	28	28	28
Investing	**421**	**(200)**	**(231)**	**(231)**
Capex (growth)	(144)	(200)	(231)	(231)
Proceeds from sale of assets	29	0	0	0
Others	565	0	0	0
Financing	**(803)**	**(327)**	**(391)**	**(442)**
Dividend payments	0	(99)	(162)	(182)
Proceeds from borrowings	798	0	0	0
Loan repayment	(1,180)	(200)	(200)	(269)
Others/interest paid	(422)	(28)	(28)	(28)
Net cash inflow (outflow)	**(54)**	**103**	**19**	**(17)**
Beginning cash & cash equivalent	**353**	**298**	**402**	**421**
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	**298**	**402**	**421**	**404**

Key Metrics

Year to 31 Aug (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	11.3	15.4	17.9	17.8
Pre-tax margin	4.4	6.8	10.0	10.4
Net margin	3.1	4.9	7.2	7.5
ROA	1.5	2.6	4.4	5.0
ROE	2.1	3.8	6.1	6.8
Growth				
Turnover	(37.4)	(28.2)	(19.2)	(12.4)
EBITDA	(34.4)	2.6	33.8	44.5
Pre-tax profit	(57.8)	(25.5)	23.2	39.6
Net profit	(53.8)	(16.3)	37.4	54.6
Net profit (adj.)	0.0	81.0	64.3	12.5
EPS	(53.8)	(16.3)	37.4	54.6
Leverage				
Debt to total capital	17.3	17.0	16.4	6.3
Debt to equity	17.4	17.0	16.5	6.3
Net debt/(cash) to equity	11.1	8.8	8.1	(1.5)
Interest cover	0.0	21.7	28.3	30.6

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